## Message Text

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R 040348Z AUG 78 FM AMEMBASSY TAIPEI TO SECSTATE WASHDC 8447 AMCONSUL HONG KONG INFO USMISSION GENEVA

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GENEVA FOR PHELAN

E.O. 11652: N/A TAGS: EPAP

SUBJECT: TEXTILES: HONG KONG OVERSHIPMENTS

- 1. DURING TELEPHONE CONVERSATION WITH SMITH AUGUST 3,
  PETER TSAO OF HONG KONG EXPRESSED HIS HOPE THAT USG WOULD
  CONSULT WITH HKG BEFORE EMBARGOING CATEGORIES WHICH THE USG
  CLAIMED WOULD BE OTHERWISE OVERSHIPPED IN 1978.
- 2. SMITH POINTED OUT TO TSAO THAT THE OVERSHIPMENTS OCCURRED LAST YEAR AND, HENCE, WERE BEING CHARGED TO THIS YEAR'S LEVELS, A FACT TSAO APPARENTLY DID NOT KNOW. DESPITE THIS, TSAO SAID HKG HAD ALREADY FULLY ALLOCATED ITS 1978 QUOTAS AND THERE WAS NO WAY HKG COULD STOP 1978 SHIPMENTS EVEN IF IT MEANT OVERSHIPPING PARTICULAR CATEGORIES.
- 3. USTEXDEL RECOMMENDS THAT DEPARTMENT (EB/TEX) AND AMCONSUL HONG KONG REMIND CROWSON AND MILLS RESPECTIVELY THAT:

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- (A) CROWSON WAS NOTIFIED BY LETTER BY EB/TEX IN EITHER LATE MAY OR JUNE ABOUT 1977 OVERSHIPMENTS;
- (B) USTEXDEL TRAVELED TO HONG KONG IN MID-JULY TO DISCUSS FULLY THESE OVERSHIPMENTS, SPENDING THREE OF THE FIVE DAYS' CONSULTATIONS ON THEM:

(C) HENCE, USTEXDEL BELIEVES WE HAVE MORE THAN MET OUR OBLIGATION TO CONSULT BEFOREHAND. INDEED, SUCH NOTIFICATION WAS GIVEN SIX MONTHS BEFORE THE END OF THE 1978 AGREEMENT YEAR, WHICH SHOULD HAVE BEEN PLENTY OF TIME FOR HKG TO TAKE NECESSARY ACTION TO AVOID OVERSHIPMENTS IN 1978 (COUNTING THE CHARGES FROM 1977 OVERSHIPMENTS); AND

(D) IF HKG CANNOT STOP SHIPMENTS WHICH WOULD OTHERWISE CAUSE OVERSHIPMENTS IN 1978, AND ASSUMING THE TWO GOVERNMENTS' FIGURES CANNOT BE RECONCILED, THEN USG WILL IMPOSE IMPORT CONTROLS AS APPROPRIATE. (FOR EB/TEX AND L/EB: ST. JOHN BELIEVES IT IMPORTANT THAT WE HAVE UPDATED LEGAL OPINION IN THIS REGARD, AS REQUESTED IN EARLIER CABLE, NOT LATER THAN MONDAY, AUGUST 7. BALANCE OF USTEXDEL DOES NOT BELIEVE SUCH AN UPDATED LEGAL OPINION IS NEEDED.)

4. FYI: TAIWAN HAS ACCEPTED USG FIGURES REGARDING ROC OVERSHIPMENTS, AND REPAYMENT SCHEDULE HAS BEEN WORKED OUT. KOREANS ALSO HAVE SHOWN THEMSELVES MOST COOPERATIVE IN OVERSHIPMENT MATTER, AND THEY ARE SENDING A TEAM OF TECHNICAL EXPERTS TO WASHINGTON TO DETERMINE AND, IF POSSIBLE, RECONCILE DIFFERENCES. ONLY HONG KONG REFUSES TO ADMIT THAT IT MIGHT POSSIBLY HAVE MADE SOME ERRORS, DESPITE THE FACT THAT USTEXDEL WAS WILLING TO STATE USG FIGURES WEREN'T PERFECT AND THAT WE WERE WILLING TO REEXAMINE AND REVIEW OUR DATA. END FYI. UNGER

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